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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 001012

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TAGS: [ENRG](#) [ECON](#) [ETTC](#) [PREL](#) [PARM](#) [IR](#) [AM](#)
SUBJECT: CDA CALL ON ENERGY MINISTER RAISES IRAN, NUCLEAR
POWER

Classified By: CDA Rudolf V. Perina. Reasons 1.4 (b, d).

11. (C) SUMMARY. CDA met August 6 with Energy Minister Armen Movsisian to discuss the Armenian nuclear power plant (ANPP) and Armenia's economic relations with Iran. Movsisian assured that the GOAM aims to close the plant by the target date (2016). He believed that Armenia's only option is to construct a new nuclear plant, and sought help toward that end. Movsisian downplayed Armenia's importance to Iran, said the GOAM was not looking to extend its Iran ties beyond a mutually-beneficial energy security relationship, and had no plans to work with Iran on development of a nuclear plant.
END SUMMARY.

12. (U) CDA, DCM and EconOff paid an introductory call August 6 on Energy Minister Movsisian and Deputy Minister Areg Galstyan. Movsisian has been in his position for six years, and was recently re-appointed to serve in PM Sargsian's new cabinet.

13. (C) CDA emphasized that while the USG has provided over 180 million USD to the GOAM for energy sector assistance since 1992, including safety upgrades to the ANPP (Metsamor), we remain concerned about the safety risks posed by the plant, especially if it would continue in operation past its target decommissioning date of 2016. He stressed the importance of forward planning to avoid any need to extend the life of the plant beyond what is already the maximum limit. While the USG is not in a position to provide financial support for an ANPP replacement, it is willing to assist the GOAM in pursuing alternatives. CDA noted that USAID had already allocated funds to fund feasibility studies for a new nuclear plant.

14. (C) Movsisian expressed appreciation for USG assistance with ANPP safety and with development of the Armenian energy sector; Armenia is now the only country in the region (including the Caucasus, Iran and Turkey) that does not run an energy deficit (i.e. it produces more energy than it consumes). However, given Armenia's difficult geographic situation (and its political isolation), the GOAM cannot easily give up the energy security the ANPP provides, and would most likely need to replace it with a new nuclear plant instead of with oil and gas. The GOAM has been increasing contributions each year for plant safety upgrades (now about \$2-3 million per year). As an indication of its serious intent to close ANPP by the 2016 deadline, it recently established a fund to finance its decommissioning, and intends to release an action plan within the next 2-3 months for decommissioning an action plan within the next 2-3 months for decommissioning and replacing the plant. Movsisian noted that a UK company (not identified) has been involved in the development of a decommissioning plan. In response to CDA's request, Movsisian promised to share action plan with the U.S. as soon as it was available.

Not Asking for Handouts

15. (C) With respect to development of a new nuclear plant, Movsisian emphasized that the GOAM is not asking for donations, but is very much open to proposals from private firms that might be interested in the project. The GOAM hopes to have a new plant operating by 2016. (COMMENT: This timetable is overly-optimistic. Post understands that it normally takes about 10 years to build a new nuclear plant, from project launch through plant completion. Armenia's plans are only in the discussion stages, and it remains unclear how Armenia will line up the roughly 1.5 billion USD the project will require. Movsisian seems overly optimistic in his estimation of Western firms' ardor to finance and build a nuclear plant in Armenia. With worldwide interest in nuclear power resurgent, industry experts tell us that Armenia will most likely be far from the top of the list for Western nuclear engineering firms. END COMMENT.)

Armenia Not So Important to Iran?

16. (C) Although conceding that Armenia's shared border and need for energy security make some level of trade with Iran inevitable, CDA expressed concerns that Armenia's relations with Iran appear to be getting closer and stronger. CDA encouraged increased transparency and restraint in these relations in order to show that Armenia shares the concerns of the USG and the broader international community about Iran's unauthorized nuclear enrichment program.

17. (C) Movsisian argued that Armenia's trade with Iran is a tiny fraction of Iran's overall trade - in 2006 just \$134 million out of Iran's total trade turnover of approximately

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\$100 billion. Armenia is also the smallest trading partner among Iran's 11 neighbors. Reminding CDA of Armenia's 1993-94 energy crisis, Movsisian insisted that Armenia's trade with Iran consists largely of energy resources and is driven by its concern for energy security. Armenia, he claimed, has foregone opportunities to build larger or additional gas pipelines that might allow it to serve as a conduit of Iranian gas to other countries. The recently-opened gas pipeline from Iran is only 70 centimeters in width, which Movsisian insists will provide only enough gas for Armenia's energy needs.

18. (C) Movsisian also noted that much of Armenia's energy trade with Iran is based on stabilizing energy supplies and is essentially a time swap. Spring floods allow Armenia to produce cheap surplus power, which it sends to Iran in exchange for gas in winter, when Armenian energy demand is higher and supplies tighter.

19. (C) As though to emphasize further Armenia's relative lack of importance to Iran, Movsisian noted that the newly-opened Iran-Armenia gas pipeline opened only after 14 years of discussion, planning and construction. Railroad projects have been discussed for 17 years without any action, and the countries have been discussing an oil refinery project for nearly eight years. Movsisian asserted that if Armenia were a more attractive or important market for Iran, these projects would already have been realized. Movsisian also insisted that Armenia has no plans to cooperate with Iran on development of a nuclear plant.

110. (C) COMMENT: On Iran, Movsisian -- a technocratic party loyalist who lacks political heft of his own -- echoed the consistent position often articulated by the president, prime minister, and foreign minister, most recently to EUR DAS Bryza (reftel). The fact that Movsisian serves as Armenia's chair of the Armenian-Iranian Economic Commission is an indication the GOAM sees energy as the cornerstone of the economic relationship.
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